

THE SOCIAL PLANNING AND RESEARCH COUNCIL OF HAMILTON AND DISTRICT
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TRENDS IN HAMILTON-WENTWORTH

The Role of Plant Closures In Unemployment:

A Comparison Of Two Recessions



Introduction

One of the major concerns about our current recession relates to the rising proportion of jobs which are lost because of closures. When recessions hit our economy, the majority of unemployment which occurs is temporary in nature. In the face of sagging demand, companies reduce production and lay-off workers until demand begins to pick-up once again. A certain number of the jobs do not return due to bankruptcies and other factors but the majority of laid-off workers return to work.

Our "social safety net" reflects the traditional nature of recessionary unemployment. Unemployment Insurance Benefits are made available as a temporary assistance to the temporarily unemployed. To some extent, the "temporary" nature of our unemployment problem was unique to Canada. Table 1 presents the concentration of "long-term" unemployment within 16 Western industrial nations in 1985. The numbers on the Table represent the percentage of the unemployed population who have been unemployed for more than a year. The numbers in parenthesis indicate the overall unemployment rate.

Although we ranked sixth with respect to overall unemployment, we ranked relatively low with respect to the proportion of unemployed persons who had been unemployed for more than one year.

Table I**Persons Unemployed For a Year or More as a Percentage of Total Unemployment**

	<u>1985</u>	
Belgium	68.3	(17.3)
Spain	56.8	(21.9)
Italy	56.4	(10.1)
Netherlands	55.3	(15.7)
France	46.8	(10.2)
U.K.	41.0	(11.1)
Ireland	41.0	(17.7)
Germany	31.0	(9.3)
Australia	30.9	(8.2)
Sweden	11.4	(2.8)
Japan	11.8	(2.6)
Canada	10.3	(10.5)
Finland	10.0	(6.3)
U.S	9.5	(7.2)
Norway	8.3	(2.5)

Source: Measures to Assist the Long-Term Unemployed. Paris: OECD 1988.

There are growing concerns, however, that this situation may change as a result of this greater incidence of job-loss, due to closures, in the current recession.

The Ministry of Labour provides detailed statistical information pertaining to "major layoffs" involving 50 or more employees. These figures do not provide a complete picture of job-loss in the Province because they do not capture layoffs of less than 50 persons or job loss due to early retirements.

Nevertheless, they do provide a useful indication of trends with respect to the cause of layoffs - reduced operations, partial closures and complete closures.

The Province (Table II)

During the 1981 to 1983 recessionary period in the Province of Ontario, 24 % of the jobs lost in major lay-offs were due to partial or complete closures. In the latest recession, between January 1990 and September 1991, the corresponding figure has risen to 64.0 %.

Consequently, in the current recession, a much higher proportion of lost jobs are the result of permanent reductions - i.e. the laid-off workers will not be "called back" when the economy improves.

Table II

Province of Ontario: Jobs Lost in Major Layoffs Due To
Partial and Complete Closures, 1981-1983 and 1990-1991.

	<u>Total Job Loss</u>	<u>Partial and Complete Closures</u>	
1981	22241	8133	
1982	17213	6634	
1983	<u>14824</u>	<u>7867</u>	
TOTAL	93732	22634	24.0
1990	31787	20554	
Sept. 1991	<u>19212</u>	<u>12098</u>	
TOTAL	50999	32652	64.0

Source: Ministry of Labour, Office of Labour Adjustment. Monthly Reports on
Permanent and Indefinite Layoffs in Ontario.

Hamilton-Wentworth (Table III)

Relative to the rest of the Province, Hamilton-Wentworth loses a smaller proportion of jobs to complete or partial closures. During the 1981/83 recession, only 8.7 % of jobs lost in major layoffs were due to closures, compared to the Provincial figure of 24 %.

During the current recession, we remain below the Provincial average - 23.8 % of jobs lost in major layoffs were due to closures between January 1990 and September 1991. This compares well with the figure of 64 % for the Province as a whole. At the same time, however, it is substantially higher than the rate of 8.7 % that was recorded locally between 1981 and 1983.

Table III

**Hamilton-Wentworth: Jobs Lost in Major Lay-Offs Due To
Partial and Complete Closures, 1981-1983 and 1990-1991.**

	<u>Total Job Loss</u>	<u>Partial and Complete Closures</u>	
1981	3126	180	
1982	6460	97	
1983	<u>3669</u>	<u>875</u>	
TOTAL	13255	1152	8.7
1990	490	0	
Sept. 1991	<u>1089</u>	<u>377</u>	
	1579	377	23.8

Source: Ministry of Labour, Office of Labour Adjustment. Monthly Reports on Permanent and Indefinite Layoffs in Ontario.

Conclusions

1. The proportion of jobs lost in major layoffs, due to closures, has increased dramatically in the Province of Ontario during the current recession, relative to the recession of the early nineteen-eighties. During the 1981 to 1983 period, 24 % of the jobs lost in major layoffs were due to closures. Between January 1990 and September 1991, the proportion was 64 %.
2. Hamilton-Wentworth has been less affected by closures than the Province as a whole. At the same time, however, closures are playing a greater role in jobs lost to major layoffs in the current recession than during the 81/83 downturn. Consequently, we are experiencing the same general trend as in the Province, as a whole, but the overall level of the trend is less.
3. The increased role of closures during this recession suggests that a greater proportion of current unemployment may be of a longer duration than we have traditionally experienced in our community and our Province. The implications of this trend are significant --
 - a) Increased hardship for unemployed persons;
 - b) Increased demand on General Welfare Assistance as a larger proportion of unemployed persons exhaust their UIC entitlements;
 - c) Increased financial burdens on the Regional Municipality, due to 2 above;
 - d) An increased need for investment in training to prepare unemployed persons for new careers;
 - e) A slower rate of recovery from the current recession due to the negative effects of unemployment upon consumer confidence and consumer spending.